U.S. For-Profit Higher Education
Evolution, Growth, Tension

Richard Garrett
Managing Director

Continuing & Professional Education Learning Collaborative
Online Higher Education Learning Collaborative

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Overview

- Evolution & Characteristics of For-Profit Higher Education in the U.S.
- Growth & Impact- Adult Enrollment
- Regulatory Responses- Opportunities and Challenges for the Future
Transformation of U.S. For-Profit Higher Education

• U.S. for-profit higher education is not new, and is very diverse
• Past 15 years have witnessed a dramatic change in the scale, nature and ambition of U.S. for-profit schools
  – Key Shifts- non-degree to degree, national to regional accreditation, undergraduate to also graduate education, local to regional/national, family-owned to publicly-traded; nonprofit takeovers
  – Offerings and Branding- career-oriented programs, customer service, little or no sports/cultural facilities, multiple functional sites/online; many adjunct faculty; centralized curriculum; significant targeting of very non-traditional students; assertion that “working adults” have been neglected by nonprofit schools
  – First admitted to federal financial aid in 1972; distinct definition of a higher education institution tied to gainful employment; 90/10 rule; degree-granting for-profits permitted in every U.S. state except Rhode Island
  – Today- over 1,600 degree-granting for-profit schools in the U.S. (c.30% of total)
  – Degree-granting for-profits up from c.370,000 students in 1997 to over 2 million in 2010 (440% growth- compared to c.50% for U.S. higher education as a whole)
  – In 2010, degree-granting for-profits schools represented c.10% of all students at degree-granting schools in the U.S.
  – In 2008/09, degree-granting for-profits reported $20.5 billion in revenue, and >$3 billion in profit. Bulk of for-profit revenue derived from federal financial aid (90/10 rule)- get 25% of Pell Grants, and account for 44% of federal student loan defaults
  – Online delivery has been key to rapid growth and national reach- Eduventures estimates that 60%+ of 4-year for-profit headcount is online, and for-profits command c.40% of the online program market in the U.S.
Adult Undergraduate Growth Driven Strongly by For-Profit Schools

**Age 25+ Undergraduate Students by Control 1987-2009 (4 Year Schools)**

- Public 4Y: 1.15m (12%) peaked, in terms of share and absolute numbers, in 1995
- Private 4Y: 428,000 (31%)
- For-Profit 4Y: 38,000 (2%)

**Growth (Market Share) 4Y 1987-2009**

- Public = 12% (71% v. 48%)
- Private = 31% (26% v. 21%)
- For-Profit = 2111% (2% v. 31%)

Source: IPEDS and Eduventures analysis
Explaining Adult Undergraduate Participation: focus trumps demographics; economy trumps focus

- **Headline Growth**: adult undergraduates aged 25-44 up 9% (1987-1997), and up 46% 1999-2009

- **Online**: c.30% of the adult undergraduate market is 80%+ online (2009)

Source: IPEDS, U.S. Census and Eduventures analysis
Strong adult graduate growth across all sectors; for-profit contribution to date much more limited than at undergraduate level

Age 25+ Graduate Students by Control 1987-2009

- Public 4Y
- Private 4Y
- For-Profit 4Y

Growth (Market Share) 1987-2009

- Public: 36% (66% v. 48%)
- Private: 115% (34% v. 40%)
- For-Profit: 17,000% (0.1% v. 12%)

Source: IPEDS and Eduventures analysis
Explaining Adult Graduate Participation: strong momentum from small base; power of institutional focus and counter-cyclicality

Source: IPEDS, U.S. Census and Eduventures analysis

Headline Growth: adult graduates up 20% (1987-1997), and 58% 1999-2009

Online: c.27% of the adult graduate market is 80%+ online (2009)
For-Profit Value Proposition, Market Position & Evidence

**Value proposition**- how does for-profit higher education describe itself?

**Market position**- how is for-profit higher education perceived?

**Evidence**- what evidence do we have to adjudicate value proposition v. market position?

- **Value proposition**- career-oriented, applied, convenient, customer service, practitioner faculty, adult/non-traditional student-focused

- **Market position**- all of the above, plus: poorly defined/understood, peripheral “sector”, pervasive marketing, marketing spin/hype, enrollment driven by marketing not value; perceived tension with higher education norms, perceived second rate/second choice, profit status either poorly understood or “cause for concern”, regulatory/media scrutiny, limited relations with non-profit higher education

- **Evidence**- basic scale and growth numbers; stock price; SEC reporting requirements, but not designed for higher education institutions; limited and confusing outcomes data (tensions with federal reporting norms); regional accreditation still leaves comparison questions; hard to succinctly state and quantify the for-profit “contribution”. Distinct representative body
For-Profit success prompted federal push-back; but may be key to long-term prospects

- Between 2009 and today, the U.S. has shifted to a very different place on the regulatory cycle
  - 2010 “Program Integrity” rules seek to strengthen state regulation, accreditation, oversight of distance learning and rapid enrollment growth, incentive compensation, credit hour, “Gainful Employment” etc
  - Rapid for-profit/online growth is the key driver behind federal concern- arguably, tension between enrollment scale and evidence of ROI to student/taxpayer grew too great

- New regulatory climate, plus counter-cyclicality, has seen most major for-profits report flat or declined new enrollment, drop certain programs, raise admissions standards/orientation, change financial aid arrangements/monitoring, push further into bachelor’s/graduate, explore non-federal funding; as well as lobbying against the new rules, arguing student access/choice will be curtailed

- Despite the current “pain” the sector is experiencing, regulatory push-back could be the missing catalyst to force renewed evolution. A for-profit that could innovate on student experience/outcomes, as well as customer service, would prove much more formidable competition for nonprofit higher education, and deepen the for-profit contribution to addressing U.S. higher education’s big challenges (cost, completion, access, outcomes)
Thank You

Please contact:

Richard Garrett
Managing Director

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Eduventures, Inc.
101 Federal Street, 12th Floor
Boston, MA 02110
617-532-6081
rgarrett@eduventures.com
eduventures.com